

AMENDED IN ASSEMBLY AUGUST 24, 2006

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SENATE BILL

No. 1011

Introduced by Senator Florez

February 22, 2005

An act to amend Sections 8880.4 and 8880.321 of the Government Code, relating to the California State Lottery, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1011, as amended, Florez. California State Lottery: multistate lottery.

(1) The California Constitution prohibits lotteries and the sale of lottery tickets. However, the California State Lottery Act of 1984, enacted by initiative, authorizes a California State Lottery to be operated and administered by the California State Lottery Commission and the Director of the California State Lottery, with certain limitations. The act requires that at least 50% of lottery revenues be returned to the public in the form of prizes, at least 34% be allocated to benefit public education, and no more than 16% be allocated for lottery expenses.

This bill would require that at least 50% of multistate lottery revenues be allocated to the public in the form of prizes, at least 42% of multistate lottery revenues be allocated to benefit public education,

and no more than 8% of multistate lottery revenues be allocated for lottery expenses.

(2) The California State Lottery Act of 1984 gives a player the right to claim prize money for 180 days after a lottery drawing.

This bill would give a player one year to claim ~~prize money~~ *jackpots or grand prizes* won in a multistate lottery game.

(3) The California State Lottery Act of 1984 provides that none of its provisions may be changed, except to further its purpose by a bill passed by a $\frac{2}{3}$ vote of each house of the Legislature and signed by the Governor.

This bill would declare that its provisions further the purposes of the act.

(4) This bill would include a statement of legislative findings and declarations.

(5) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the
2 following:

3 (a) The people of California, on November 6, 1984, passed
4 Proposition 37, an initiative measure to amend the California
5 Constitution to authorize the establishment of the California State
6 Lottery.

7 (b) The express purpose of the California State Lottery is to
8 provide additional funds to education without the imposition of
9 additional or increased taxes.

10 (c) Proposition 37 created the Lottery Commission to promote
11 and ensure the integrity, security, honesty, and fairness in the
12 operation and administration of the lottery. The commission was
13 given broad powers to effectuate its mission.

14 (d) On February 8, 2005, the commission delegated authority
15 to the lottery director to enter an agreement with other states for
16 the California State Lottery's participation in the Mega Millions
17 multistate lottery game.

18 (e) On May 26, 2005, the commission incorporated rules for
19 the operation of Mega Millions into its California Lotto

1 Regulations. In June 2005, the California State Lottery began
2 operating Mega Millions in California pursuant to the Amended
3 and Restated Mega Millions Official Game Rules, Finance and
4 Operations Procedures for Mega Millions and Mega Millions
5 On-Line Drawing Procedures.

6 (f) Mega Millions rules permit claim periods in accordance
7 with the state law governing each Mega Millions party lottery.
8 Lottery players who purchase a ticket through the California
9 State Lottery for play in the Mega Millions game are permitted to
10 claim prize money within a period of 180 days after the drawing.
11 If the players do not claim the prize money within that period, the
12 prize money reverts to the benefit of education.

13 (g) However, of the 12 party lotteries, five have a claim period
14 of a year from the date of drawing before prize money may revert
15 to other public purposes, such as education.

16 (h) In the case of California Coalition Against Gambling
17 Expansion v. California State Lottery Commission (Sup. Ct.
18 Sacramento County, 2006, No. 05CS00984), the court
19 recognized a conflict between California's 180 day claim prize
20 requirement and participating state lotteries with a claim period
21 of up to a year.

22 (i) The court found that in circumstances where a prize winner
23 in a state that allows prizes to be claimed after 180 days, "each
24 party lottery's share of the prize money would not be returned to
25 the party lottery; California would lose the money for public
26 education; and subdivision (e) of [S]ection 8880.321 would be
27 effectively violated."

28 (j) In order to protect the integrity of the Mega Millions game
29 and California's participation in Mega Millions, it is necessary
30 for the Lottery Act to be amended to allow prize winners to claim
31 the Mega Million jackpot or grand prize for up to one year of the
32 drawing as a remedy suggested by the court.

33 SEC. 2. Section 8880.4 of the Government Code is amended
34 to read:

35 8880.4. Revenues of the state lottery shall be allocated as
36 follows:

37 (a) Not less than 84 percent of the total annual revenues from
38 the sale of state lottery tickets or shares shall be returned to the
39 public in the form of prizes and net revenues to benefit public
40 education.

1 (1) Fifty percent of the total annual revenues shall be returned
2 to the public in the form of prizes as described in this chapter.

3 (2) At least 34 percent of the total annual revenues shall be
4 allocated to the benefit of public education, as specified in
5 Section 8880.5. However, for the 1998–99 fiscal year and each
6 fiscal year thereafter, 50 percent of any increase in the amount
7 calculated pursuant to this paragraph from the amount calculated
8 in the 1997–98 fiscal year shall be allocated to school districts
9 and community college districts for the purchase of instructional
10 materials, on the basis of an equal amount per unit of average
11 daily attendance, as defined by law, and through a fair and
12 equitable distribution system across grade levels.

13 (3) All unclaimed prize money shall revert to the benefit of
14 public education, as provided for in subdivision (e) of Section
15 8880.32.

16 (4) All of the interest earned upon funds held in the State
17 Lottery Fund shall be allocated to the benefit of public education,
18 as specified in Section 8880.5. This interest is in addition to, and
19 shall not be considered as any part of, the 34 percent of the total
20 annual revenues that is required to be allocated for the benefit of
21 public education as specified in paragraph (2).

22 (5) No more than 16 percent of the total annual revenues shall
23 be allocated for payment of expenses of the lottery as described
24 in this chapter. To the extent that expenses of the lottery are less
25 than 16 percent of the total annual revenues, any surplus funds
26 also shall be allocated to the benefit of public education, as
27 specified in this section or in Section 8880.5.

28 (b) Funds allocated for the benefit of public education
29 pursuant to subdivision (a) are in addition to other funds
30 appropriated or required under existing constitutional
31 reservations for educational purposes. No program shall have the
32 amount appropriated to support that program reduced as a result
33 of funds allocated pursuant to subdivision (a). Funds allocated
34 for the benefit of public education pursuant to subdivision (a)
35 shall not supplant funds committed for child development
36 programs.

37 (c) None of the following shall be considered revenues for the
38 purposes of this section:

39 (1) Revenues recorded as a result of a nonmonetary exchange.
40 “Nonmonetary exchange” means a reciprocal transfer, in

1 compliance with generally accepted accounting principles,
2 between the lottery and another entity that results in the lottery
3 acquiring assets or services and the lottery providing assets or
4 services.

5 (2) Reimbursements received by the lottery for the cost of
6 goods or services provided by the lottery that are less than or
7 equal to the cost of the same goods or services provided by the
8 lottery.

9 (d) Reimbursements received in excess of the cost of the same
10 goods and services provided by the lottery, as specified in
11 paragraph (2) of subdivision (c), are not a part of the 34 percent
12 of total annual revenues required to be allocated for the benefit of
13 public education, as specified in paragraph (2) of subdivision (a).
14 However, this amount shall be allocated for the benefit of public
15 education as specified in Section 8880.5.

16 (e) Notwithstanding this section or Section 8880.5, total
17 annual revenues of the state lottery received from its participation
18 in any multistate lottery shall be allocated as follows:

19 (1) Not less than 42 percent to benefit public education.

20 (2) Not less than 50 percent to the public in the form of prizes.

21 (3) Not more than 8 percent for payment of administrative
22 costs related to participation in a multistate lottery.

23 SEC. 3. Section 8880.321 of the Government Code is
24 amended to read:

25 8880.321. The commission shall promulgate regulations to
26 establish a system of verifying the validity of prizes and to effect
27 payment of the prizes, provided that:

28 (a) For convenience of the public, lottery game retailers may
29 be authorized by the commission to pay winners of up to six
30 hundred dollars (\$600) after performing validation procedures on
31 their premises appropriate to the lottery game involved.

32 (b) No prize may be paid arising from tickets or shares that are
33 stolen, counterfeit, altered, fraudulent, unissued, produced or
34 issued in error, unreadable, not received or not recorded by the
35 lottery by applicable deadlines, lacking in captions that confirm
36 and agree with the lottery play symbols required by the lottery
37 game involved, purchased by a minor, or not in compliance with
38 additional specific rules and regulations and confidential
39 validation and security tests appropriate to the particular lottery
40 game. The lottery may pay a prize even though the actual

1 winning ticket is not received by the lottery if the lottery
2 validates the claim for the prize based upon substantial proof.
3 “Substantial proof” means any evidence that would permit the
4 lottery to use established validation procedures, as specified in
5 lottery regulations, to validate the claim.

6 The commission may require that any form relating to a claim
7 for a prize shall be signed under penalty of perjury. This
8 declaration shall meet the requirements of Section 2015.5 of the
9 Code of Civil Procedure.

10 (c) No particular prize in any lottery game shall be paid more
11 than once.

12 (d) The commission may specify that winners of less than
13 twenty-five dollars (\$25) claim the prizes from either the same
14 lottery game retailer from whom the ticket or share was
15 purchased or from the lottery itself.

16 (e) Players shall have the right to claim prize money for 180
17 days after the drawing or the end of the lottery game or play in
18 which the prize was won, or, if a multistate lottery game, up to
19 one year *for jackpots or grand prizes*. The commission may
20 define shorter time periods for eligibility for participation in, and
21 entry into, drawings involving entries or finalists. If a valid claim
22 is not made for a prize directly payable by the commission or for
23 any on-line game prize within the period applicable for that prize,
24 the unclaimed prize money shall revert to the benefit of the
25 public purpose described in this chapter.

26 (f) After the expiration of the claim period for prizes for each
27 lottery game, the commission shall make available a detailed
28 tabulation of the total number of tickets or shares actually sold in
29 a lottery game and the total number of prizes of each prize
30 denomination that were actually claimed and paid directly by the
31 commission.

32 (g) A ticket or share shall not be purchased by, and a prize
33 shall not be paid to, a member of the commission, any officer or
34 employee of the commission, any officer or employee of the
35 Controller who is designated in writing by the Controller as
36 having possible access to confidential lottery information,
37 programs, or systems, or any spouse, child, brother, sister, or
38 parent of that person who resides within the same household of
39 the person. Any person who knowingly sells or purchases a ticket
40 or share in violation of this section, or who knowingly claims or

1 attempts to claim a prize with a ticket or share that was
2 purchased or sold in violation of this section, is guilty of a
3 misdemeanor.

4 (h) No prize shall be paid to any person under the age of 18
5 years. Any person who knowingly claims or attempts to claim a
6 prize with a ticket or share purchased by a person under the age
7 of 18 years is guilty of a misdemeanor.

8 SEC. 4. The Legislature finds and declares that this act
9 furthers the purposes of the California State Lottery Act of 1984,
10 enacted by Proposition 37 at the November 6, 1984, general
11 election.

12 SEC. 5. This act is an urgency statute necessary for the
13 immediate preservation of the public peace, health, or safety
14 within the meaning of Article IV of the Constitution and shall go
15 into immediate effect. The facts constituting the necessity are:

16 In order to protect the integrity of the California State Lottery,
17 and in an effort to ensure that California's schools make full use
18 of the revenues received from the Mega Millions multistate
19 lottery game, it is necessary that this act take effect immediately.